Public-Private Partnering

DAU Acquisition Training Symposium

"Strengthening Cost Consciousness, Professionalism and Technical Excellence"

Mr. John Sutton

Office of the Deputy Assistant Secretary of Defense (Maintenance Policy and Programs)

Mr. Jeff Heron

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Director, Global Relations for Northrop Grumman's Technology Services Sector

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DAU, Learning Director, Performance Based Logistics

Agenda

- Introductions
- Definition
- Types of Partnerships
- ODASD(MPP) PPP Roles
- Policy & Guidance
- PPP – Beyond Maintenance
- PPPs in Action
  - NAVAIR Perspective
  - Industry Perspective

THE VALUE OF PERFORMANCE.
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Public-Private Partnership (PPP)

An agreement between an organic activity and one or more private industries or other entities to perform work or utilize facilities and equipment.

Enables industry to manage depot-level maintenance and repair within Title X requirements.

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PPP Policy & Title 10

PPP and “Core” (10 USC 2464) –

- PPP Policy authorizes and encourages CITEs to enter in PPPs for the performance of work within its core competencies
- For depot maintenance and repair, PPP may be used to facilitate the execution of core workload through the enhanced access to enabling product support elements such as supply, technical data and engineering capabilities

PPP and “50/50” (10 USC 2466) -

- A PPP where labor and materials are provided by the contractor can provide flexibility for meeting the 50/50 calculations as long as:
  - The PPP workload is performed at a designated CITE
  - The PPP workload is pursuant to a PPP for depot maintenance
  - The PPP workload is performed by non-DoD personnel at the CITE

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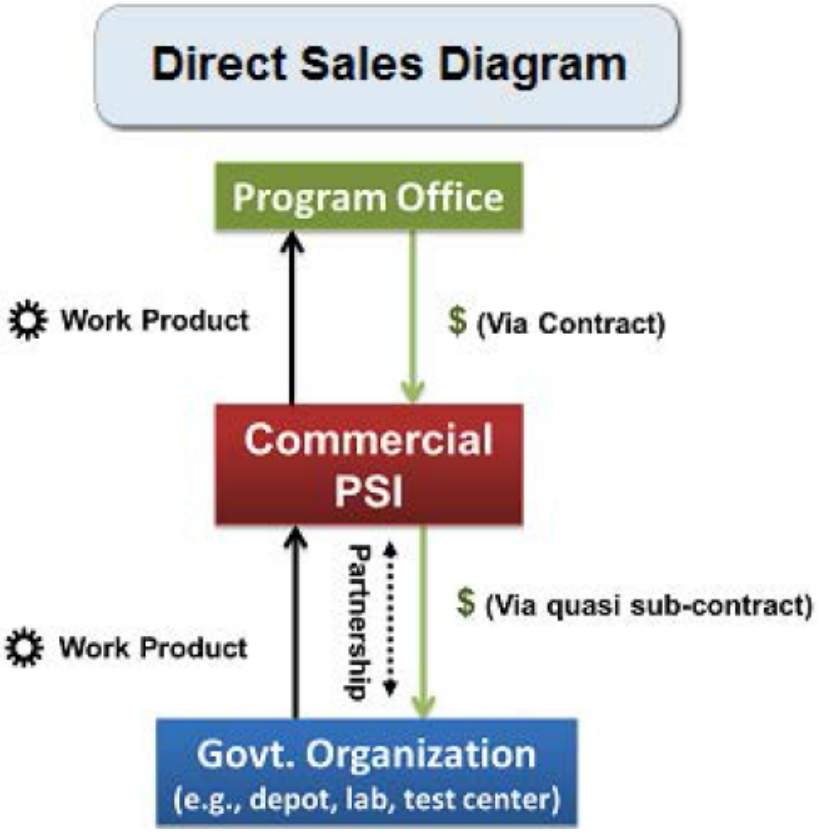
Direct Sales PPP

Direct Sales PPP

Direct Sales is an arrangement whereby a government buying activity funds a commercial activity, with the requirement that a portion of the work be performed by an organic activity.

- The agreement begins with a government contract to a commercial activity who, in turn, enters into a quasi-subcontractual agreement to pay for the organic activity's goods and or services. This quasi-subcontract serves as the Partnership Agreement (PA).
- The commercial partner may also provide infrastructure improvements, material or technical services to the organic activity in support of the partnership.



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Workshare PPP

Workshare PPP

Workshare is the partnership in which the government buying activity provides separate tasking and funding to a commercial partner and an organic product support activity in order to capitalize on the complementary strengths of each partner's capabilities.

- A portion of the workload is allocated to each of the partners. The commercial partner is funded via a contract, and the organic activity is funded through a Military Interdepartmental Purchase Request (MIPR) or a Project Order (PO).

- There would also be a Partnership Agreement (PA) established between the commercial and organic partners to clarify roles and responsibilities as well as the interdependencies between them. The partners would then work together to accomplish overall goals.

Workshare Diagram
Select the image for an enlarged view

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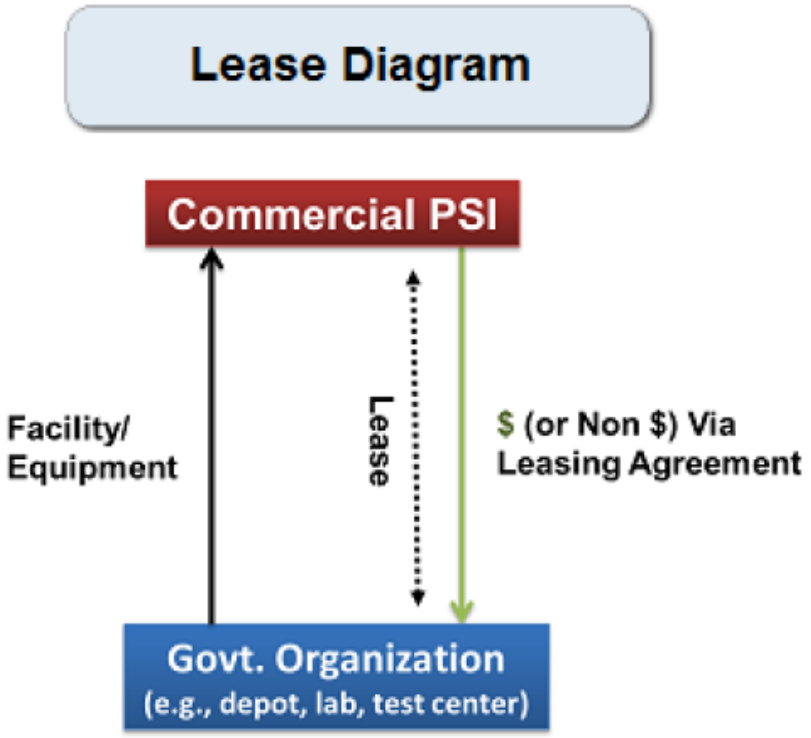
Lease PPP

Lease PPP

Lease is an arrangement that allows a private-sector entity to have access to, and beneficial use of, facilities or equipment that are real or personal government property.

- Facilities and equipment may be made available to lease, so long as the arrangement does not preclude the government activity from performing its mission
- The goal is to make government-owned facilities and equipment more efficient through better utilization
- Lease payments may be made as monetary payments from the commercial partner to the government activity or as full-value "in kind" consideration (e.g., provision of property maintenance, protection, alteration or repair, improvement, restoration, construction of new facilities, provision of facilities, and provision or payment of utility services)



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ODASD (MPP) Roles Supporting Public-Private Partnerships

Eliminate barriers and facilitate more effective and efficient weapon systems sustainment through the expanded application of PPPs

Policy and Guidance

- DODI 4151.21 PPP for Product Support
- PPP for Product Support Guidebook
- Other PPP Insertions
  - PSM Guidebook
  - PBL Guidebook
- Cost Comparability Manual

Education and Training

- DAU – CLL 006 (Depot Mx PPP) Rewrite
- DAU – LOG 465 (Exec PSM Course)

Outreach and Advocacy

- 2012 PPP Workshop
- Annual DoD Mx Symposiums
- Annual PSM Conferences
- Annual AIA Prod Supt Conferences
- 2015 PPP Workshop
- 2015 NCMA Conference

THE VALUE OF PERFORMANCE.

PPPs ar PPPs are a primary mechanism to protect and strengthen the national base industrial base

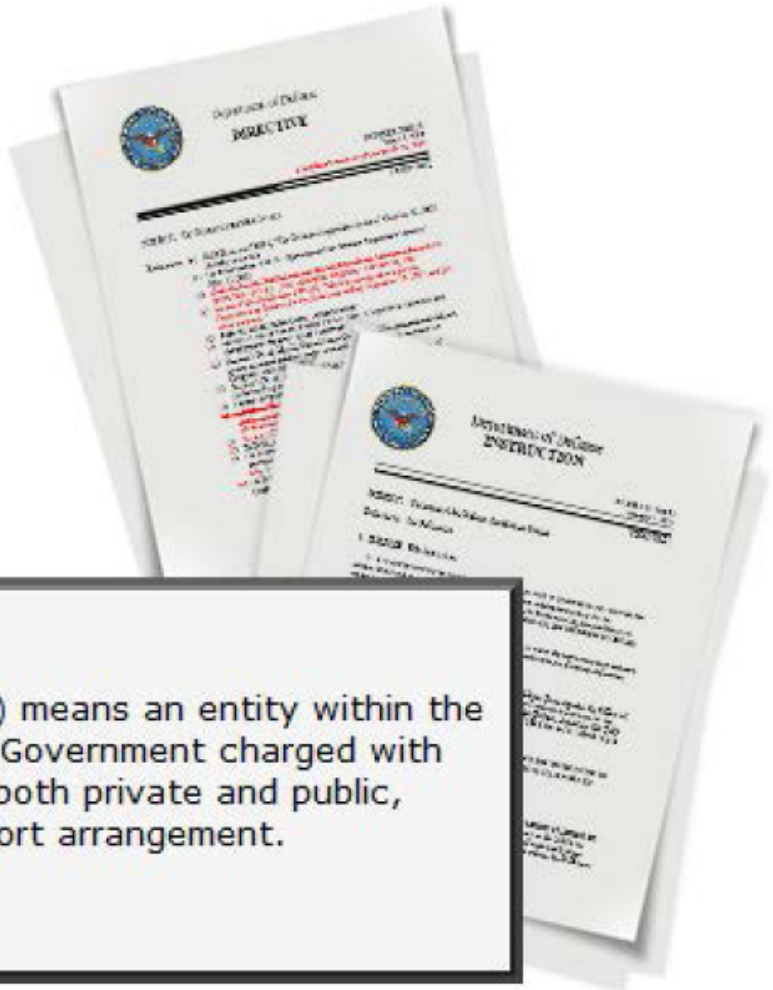
PPP Policy & Guidance

Major Policies for PPP

DoD policies defining PPPs:

DoD policies requiring an optimal mix of public and private capabilities include:

- DoDI 5000.01 - "Sustainment strategies shall include the best use of public and private sector capabilities through government/industry partnering initiatives in accordance with statutory requirements."
- DoDI 5000.02 - "Product Support Integrators and Product Support Providers may be organic, commercial, or a combination."



Product Support Integrators (PSI)

The term Product Support Integrators (PSI) means an entity within the Federal Government or outside the Federal Government charged with integrating all sources of product support, both private and public, defined within the scope of a product support arrangement.

Source: 10 USC 2337

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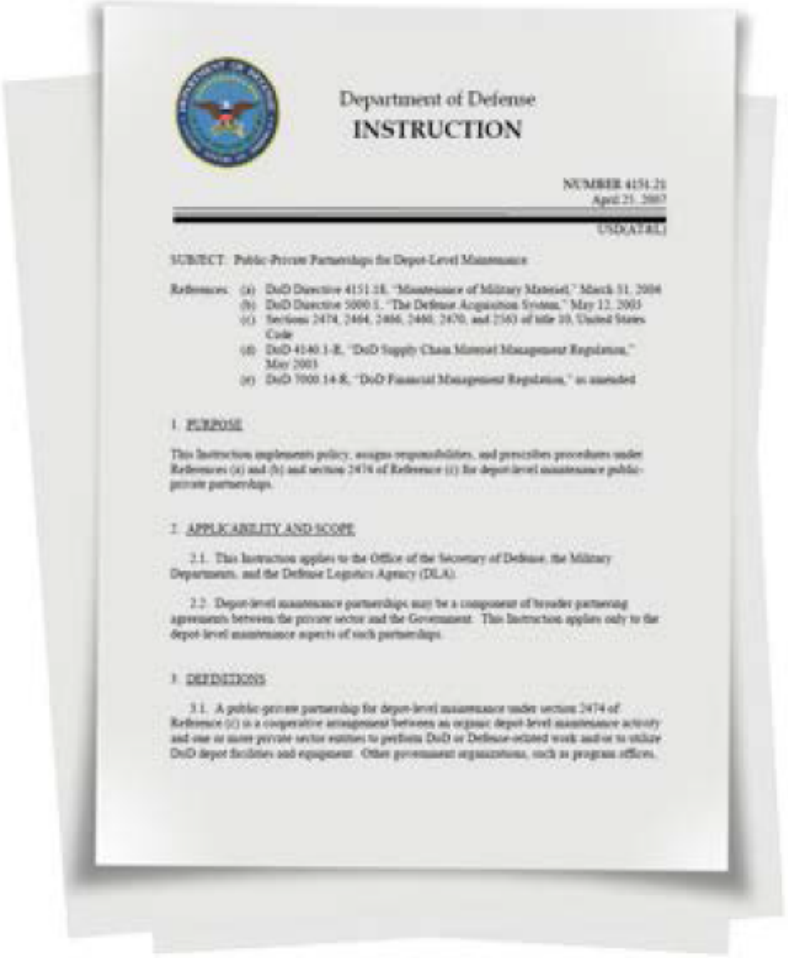
PPP Policy & Guidance

DoD Instruction 4151.21

DoDI 4151.21, "*Public-Private Partnerships for Depot Maintenance*," April 25, 2007.

This instruction establishes DoD policy on PPPs by:

- Defining PPPs
- Articulating overarching policy
- Assigning responsibilities
- Delineating specific procedural guidance



Department of Defense
INSTRUCTION

NUMBER 4151.21
April 25, 2007

USD(AT&L)

SUBJECT: Public-Private Partnerships for Depot-Level Maintenance

References: (a) DoD Directive 4151.18, "Maintenance of Military Materiel," March 31, 2004
(b) DoD Directive 5000.1, "The Defense Acquisition System," May 12, 2003
(c) Sections 2474, 2464, 2466, 2460, 2470, and 2563 of title 10, United States Code
(d) DoD 4140.1-R, "DoD Supply Chain Material Management Regulation," May 2003
(e) DoD 7000.14-R, "DoD Financial Management Regulation," as amended

1. PURPOSE

This Instruction implements policy, assigns responsibilities, and prescribes procedures under References (a) and (b) and section 2474 of Reference (c) for depot-level maintenance public-private partnerships.

2. APPLICABILITY AND SCOPE

2.1. This Instruction applies to the Office of the Secretary of Defense, the Military Departments, and the Defense Logistics Agency (DLA).

2.2. Depot-level maintenance partnerships may be a component of broader partnering agreements between the private sector and the Government. This Instruction applies only to the depot-level maintenance aspects of such partnerships.

3. DEFINITIONS

3.1. A public-private partnership for depot-level maintenance under section 2474 of Reference (c) is a cooperative arrangement between an organic depot-level maintenance activity and one or more private sector entities to perform DoD or Defense-related work and/or to utilize DoD depot facilities and equipment. Other government organizations, such as program offices,

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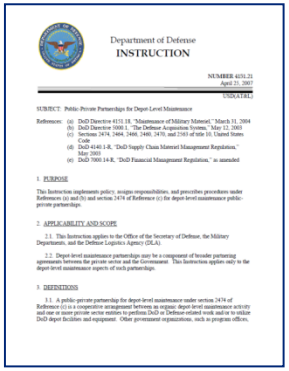
Evolution of PPP Policy & Guidance

DoDI 4151.21 (April 2007)
Public-Private Partnerships for Depot Maintenance

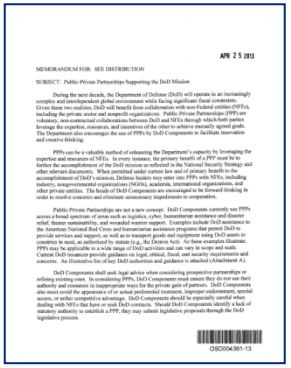

Department of Defense
INSTRUCTION

- Leverages 10 USC 2474 in support of Depot Maintenance
- Addresses shared capabilities / capacities
- Establishes financial accountability framework

DoD Guidebook (February 2012)
Public-Private Partnerships for Sustainment

- Expands application of PPPs to "Sustainment"
- Documents Case Studies

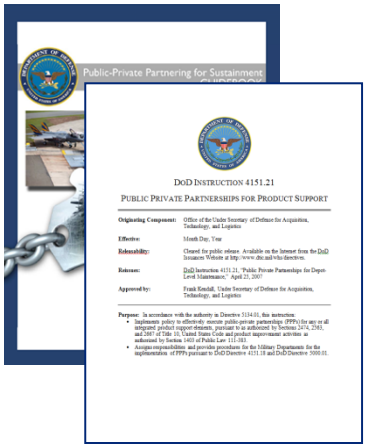
DEPSECDEF Policy Letter (April 2013)
PPP Supporting DoD Missions


MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Public-Private Partnerships Supporting the DoD Mission

- Encourages use of PPP to facilitate innovation
- Cites collaboration as primary tool to mitigate complexity and risk

DoDI 4151.21 and Guidebook
Public-Private Partnerships for Product Support



- Expands application of PPPs to "Product Support"
- Aligns PPP planning to Weapon System Lifecycle
- Clarifies how 10 USC 2466 and 10 USC 2464 pertain to PPPs

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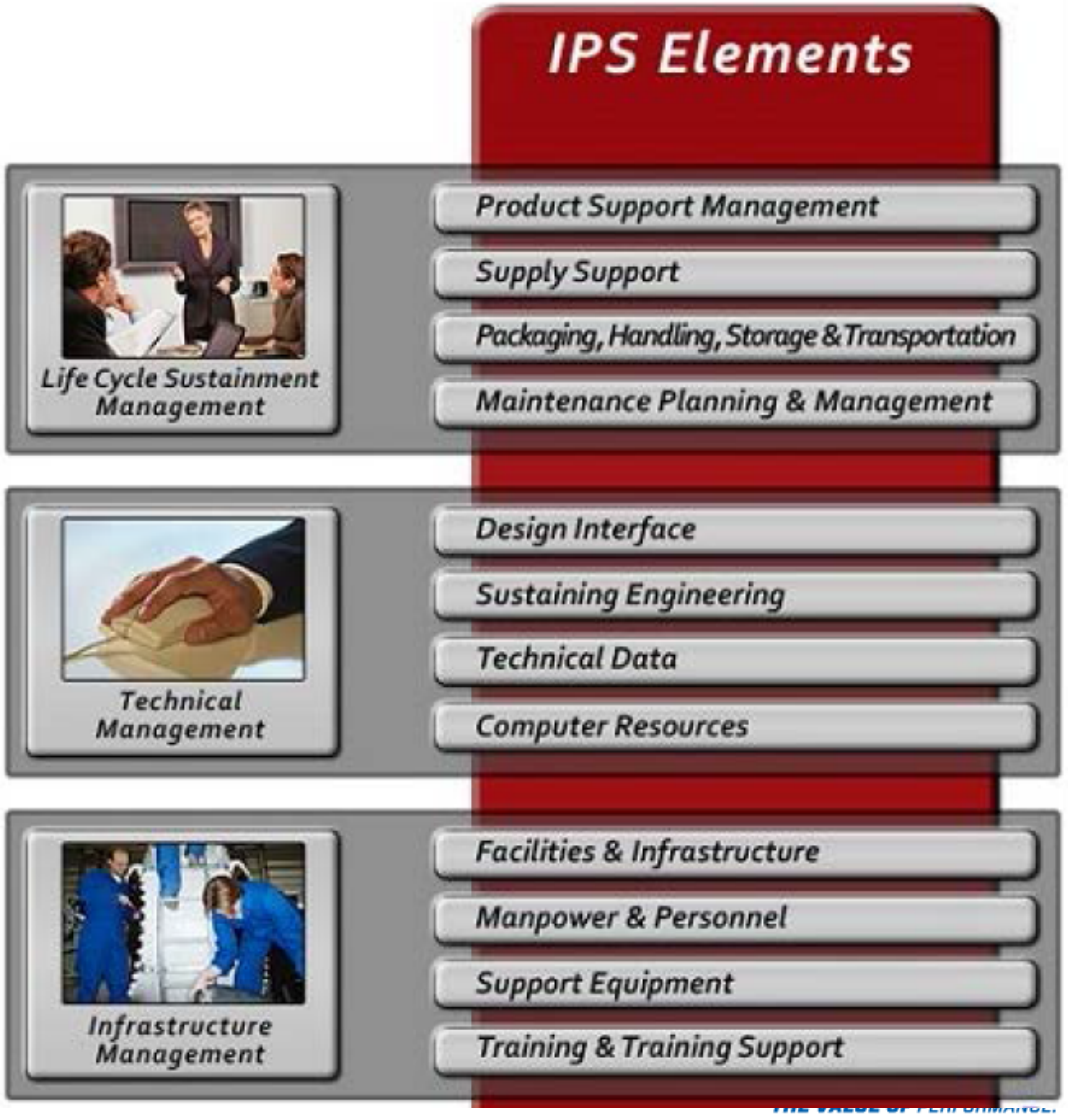
PPPs – Beyond Maintenance

Integrated Product Support (IPS) Elements

PPPs can be applied across the spectrum of Integrated Product Support (IPS) Elements.

While most existing PPPs are depot maintenance-related, innovative PPPs can potentially include any number of IPS Elements applicable to the weapon systems product support strategy.

The product support package is developed within the IPS Element framework. The twelve inter-related areas of management and technical activity provide a structured and coordinated framework for cost-effectively developing, fielding, and sustaining the readiness and operational capability of weapon systems, subsystems, and components.



Naval Aviation Enterprise Public-Private Partnerships (PPPs)

Presented To

DAU Acquisition Training Symposium

27 April 2016

Jeff Heron

Business Operations Dept Director

Logistics and Industrial Operations

Naval Air Systems Command

Outline

- Naval Aviation Enterprise (NAE) Public-Private Partnership (PPP) Evolution
- NAE PPP Model, Policy
- Results
- Enterprise Strategies
- PPPs “Beyond Depot Maintenance”
- Challenges, Discussion

Public-Private Partnership (PPP)

- Naval Aviation Enterprise (NAE) PPPs Gained Momentum After Award of Auxiliary Power Unit (APU) Total Logistics Support PBL Contract to Honeywell (Allied Signal) in June 2000
- TLS Was Based on a Maintenance Service Agreement With Southwest Airlines… **First PBL To Include A Public Private Partnership (PPP) With The Industry Provider Held Fully Accountable for Metrics (“Direct Sales” PPP)**
  - **Forming The PPP Between Then NADEP Cherry Point and Allied Signal Was Critical For Program Success**
- Navy And Department of Defense (DoD) Leadership Impressed With Results, Improving Readiness on Major Platforms (P-3, F/A-18, S-3, C-2):
  - APUs Awaiting Parts At Depot Reduced From 232 to 0, Backorders 125 to 0
  - Availability (SMA) 65% to 95%
  - LRT 35 days to 5

NAE Direct Sales PPP

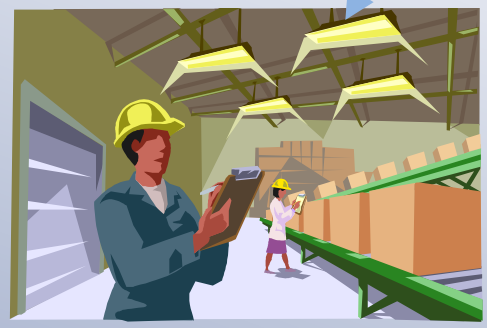
Subcontractor

Organic Depot as a Supplier To Contractor

Industry Prime Ve
(PBL Provider)

Commercial Service Agreement

DoD Depot



Subcontractor

Subcontractor

Contractor utilizing Depot facilities

Public-Private Partnerships

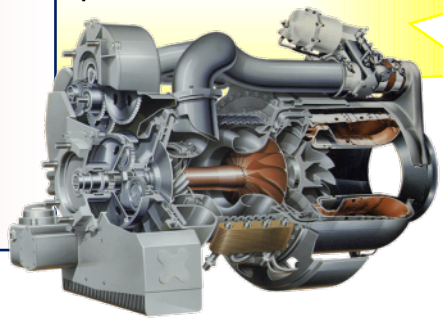
- Office of US Secretary of Defense (OSD) Policy
- Strategy Satisfies **US Law Title 10** (Core)
  - Sec 2474 CITE Encourages PPPs
- PPPs Are An Effective Use Of Fleet Readiness Centers (FRCs) Expertise Combined With Industry Knowledge
  - Sharing Of Best Business Practices Promoted
  - Government And Industry Are True Partners, Not Competitors
  - Strike Proof, Skilled Labor Force
  - Improved Readiness At Reduced Costs
- Ensures Sustainment Of Organic Industrial Capability And Artisan Expertise

Total Logistics Support Partnership

Public-Private Partnership

- **Honeywell provides:**
  - All parts and consumables
  - Technology and configuration
  - Reliability and Availability
  - Time definite transportation
  - Six Sigma/Lean
- **Fleet Readiness Centers provide:**
  - Skilled, certified labor
  - Facilities, standard equipment and supplies
  - Quality, safety and environmental

- **6 Aircraft Types**
- **5 Commodities**
- **$330M Value**



NAVSUP
NAVAL SUPPLY SYSTEMS COMMAND
NAVAL INVENTORY CONTROL POINT

Direct Delivery

Commercial Services Agreements

Prime Contract

Honeywell

Management and Secondary Source of Repair

FLEET READINESS CENTER EAST

FRCSE SOUTHEAST CENTER

USN Depot Facilities and Labor

Cherry Point

Jacksonville

The Partnership delivers:

- Integrated Commodity Support Across All USN Aircraft
- Reduced spares Investment
- Integrated obsolescence management
- Single point of contact/single accountability
- Streamlined administration
- Foreign military sales coverage
- Expansion to additional products

Partnered to Improve War Fighter Support

Naval Aviation Enterprise PPPs

- PPPs Are A Fundamental Element Of The NAE Performance Based Logistics (PBL) Strategies
- PBLs Must Incorporate Organic Depot Capability
- NAE “Direct Sales” Model Is PPP Best Practice
- Validated By BCAs
- PPPs Are A Keystone Of DoD’s Pursuit Of Broader And More Effective Implementation Of PBL
  - Better Buying Power 3.0, Ensure Effective

90% of NAE Aviation PBL Obligations Were On Partnerships In FY15

SUCCESSFUL FRC PARTNERSHIPS

Partnership

A eements

FRCE 14

RCSE 24

SECDEF PBL Award Wi

20

Sample PBL PPP Results

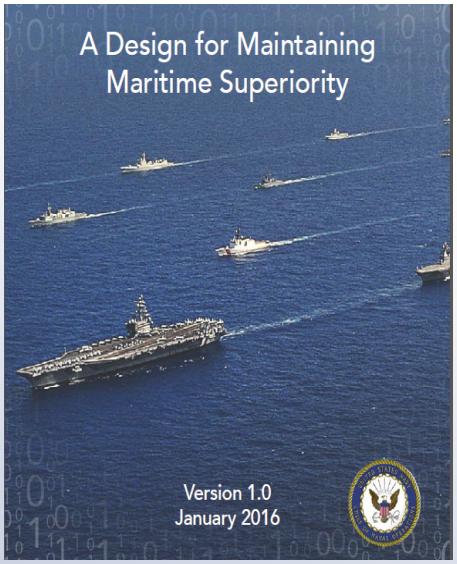
PBL Name	Contractor	Type	PBL Level - Component/Sub-system/System	Pre-PBL Metrics	Metrics	Current Performance - Status G/Y/R
S-3/E-2/C-2/F-18-A-G/P-3/C-130 APUs; P-3 EDC; F404 MFC	Honeywell	Partnership	Sub-system	65% SMA, 125 backorders	IPG1 - 90% in 2 days CONUS, 4 days OCONUS; IPG2/3 - 90% in 7 days CONUS, 4 days OCONUS	98% average availability, 1 backorder
F/A-18/F-14 HUD/DDI	Rockwell Collins (Kaiser)	Partnership	Sub-system	46% SMA, 583 backorders	IPG1 - 91% in 2 working days CONUS; 7 working days OCONUS; IPG 2/3 - 91% in 5 working days CONUS; 10 working days OCONUS	IPG1 - 100% , IPG 2/3 - 100% , 0 backorders
H-60 FLIR	Raytheon	Partnership	Sub-system	33% SMA, 20 backorders	IPG 1 - 100% 1 working day; IPG2/3 - 90% in 14 working days	100% average availability, 0 backorders
H-46/H-53 APUs	HamSundstrand	Partnership	Sub-system	H-46 99% SMA; H-53 - 73% SMA	IPG1 - 90% in 2 days CONUS, 5 days OCONUS; IPG2/3 - 90% in 7 days CONUS, 4 days OCONUS	100% average availability, 0 backorders
EA-6B Hydraulics	AAI	Partnership	Component	64% SMA, 64 backorders	IPG 1 - 100% in 5 days; IPG 2/3 - 100% in 13 days OCONUS (to POE), 23 days Conus	100% availability all categories, 0 backorders
Common ALQ-126B	BAE	Partnership	Sub-system	76% SMA, 39 backorders	IPG1 - 100% in 3 contractor working days, FOB destination; IPG2/3 - 100% in 5 contractor working days, FOB destination; Classified material all priorities - 3 contractor working days, FOB origin	100% average availability, 0 backorders
H-53 Phase I	Sikorsky	Partnership	Component	47% SMA, 22 backorders	IPG1 - 85% in 2 days for less than 150 lbs, 4 days for over 150 lbs; IPG2/3 - 85% in 5 days (all)	96% average availability
H-60 Tip to Tail	MHSCO	Partnership	System	69% SMA, 141 backorders	IPG 1 - 80% in 5 days, 100% in an RTAT; IPG 2/3 - 80% in 14 days, 100% in an RTAT	100% for Hi Pri docs; 99% for Low Pri. SMI Items- 100% for Hi Pri docs and 100% for Low Pri docs, 3 Backorders, 0 IPG1 Backorders

NAE Partnering Initiatives

- Enterprise FRC SE and Raytheon PPP For EO/IR Systems
  - FRC SE As EO/IR Center Of Excellence
  - Over $5M Savings To Date in Combined STE Procurement
- “Opening The Aperture” On Partnering, “Beyond Depot Maintenance” For Other Integrated Product Support Elements
  - Partnerships for Product Support … Collaboration On Partnership Beyond Depot Labor … Build On Depot Maintenance PPP Success

CNO - ADMIRAL RICHARDSON
A Design for Maintaining Maritime Superiority – Version 1.0

Released January 2016
Excerpt especially relevant to our collective mission:



EXPAND AND STRENGTHEN OUR NETWORK OF PARTNERS:

Deepen operational relationships with other services, agencies, industry, allies and partners - who operate with the Navy to support our shared interests.

1. Enhance integration with our Joint Service and interagency partners at all levels of interaction to include current and future planning, concept and capability development and assessment.

2. Prioritize key international partnerships through information sharing, interoperability initiatives, and combined operations; explore new opportunities for combined forward operations.

3. Deepen the dialogue with private research and development labs, and academia. Ensure that our Navy labs and research centers are competitive

EO/IR Capability

Raytheon Sensor Systems

H-60H
AAS-44(V)
Navy

H-60 R/S
AAS-44C(V)
(MTS-A)
Navy

V-22
AAQ-27
Navy

HH-60G
AAQ-29
Air Force

MQ-1 Predator
AAS-52 (MTS-A)
Air Force

MQ-9 Reaper
DAS-1 (MTS-B)
Air Force
October 2013

F-18 E/F
ASQ-228
ATFLIR
Navy

Future Opportunities

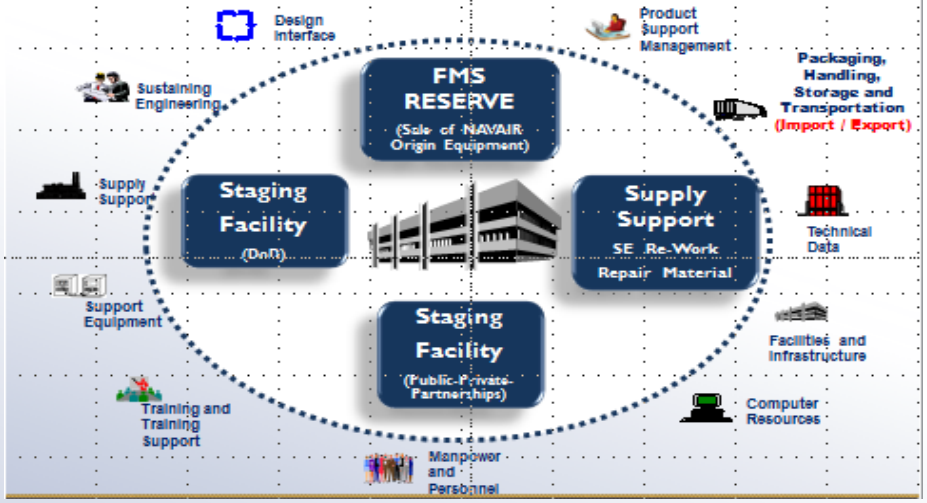
MQ-1 UAV
Gray Eagle
CSP (MTS-A)
Army

M-Q4C Triton
DAS-3 (MTS-B)
Navy

AC-130
(MTS-A)
Air Force

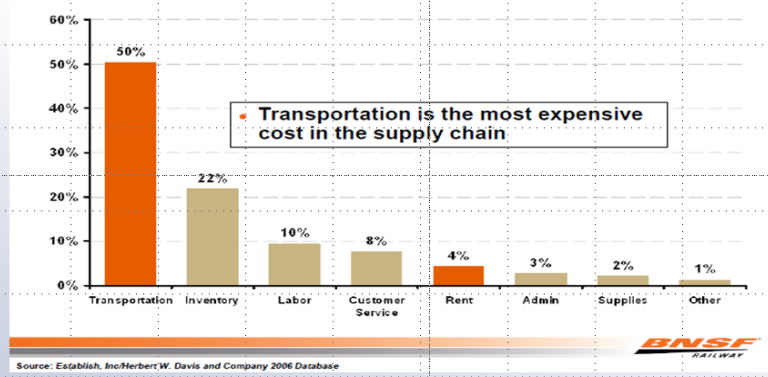
INTERNATIONAL LOGISTICS SUPPORT CENTER

INT'L LOGISTICS SUPPORT CENTER
Proposed Business Services



GOOD LOGISITCS EQUATES TO GOOD BUSINESS

Transportation & Real Estate Synergy

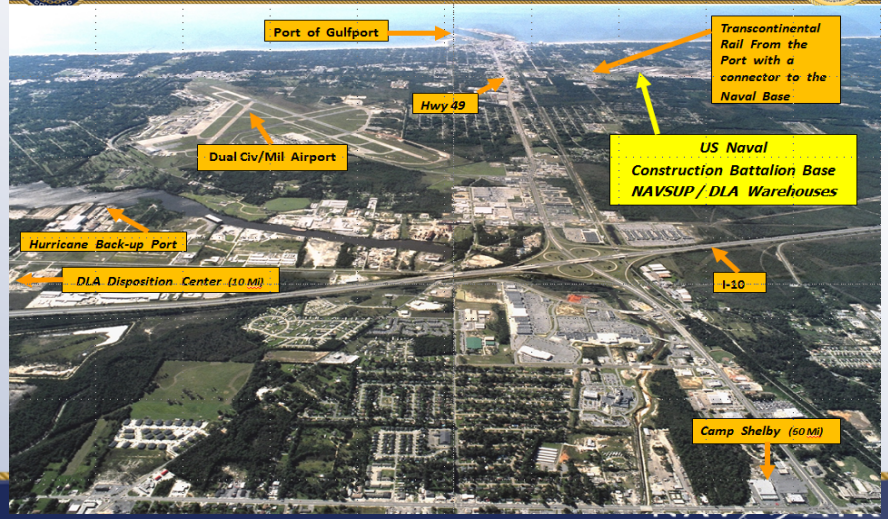


Logistics-and-Transportation-Based-Economic-Competitiveness/Vann-Cunningham-Freight-Rail-And-economic-Competitiveness

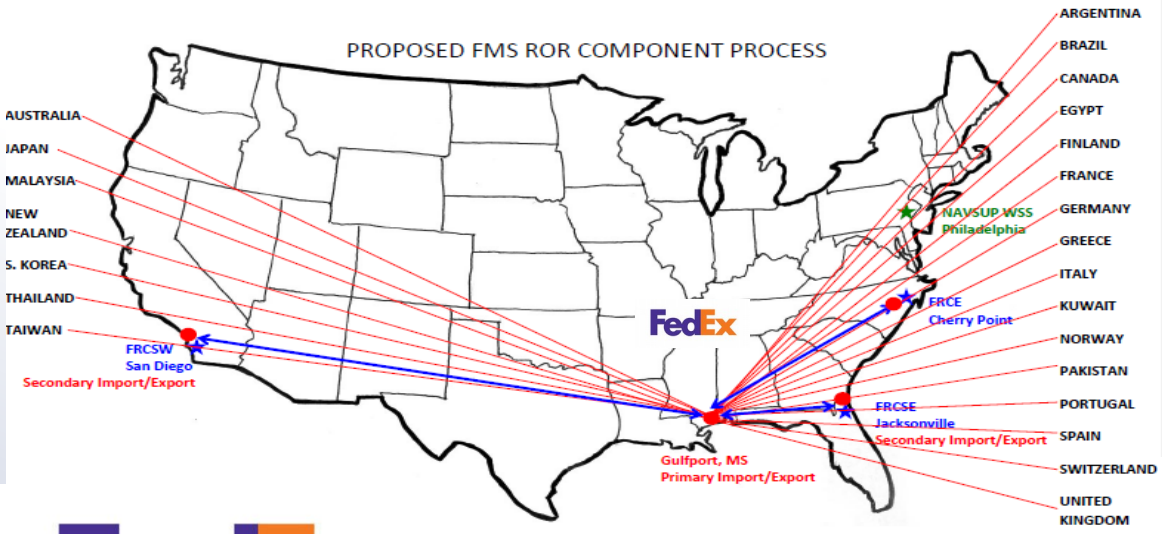
PHS&T MANAGEMENT
International Logistics Support Center Location

NAVSUP & DLA's Operational Expeditionary Logistics Facility in support of the US Naval Expeditionary Logistics Support Group - GULFPORT, MS

PHS&T MANAGEMENT
International Logistics Support Center's Location


Port of Gulfport
Transcontinental Rail From the Port with a connector to the Naval Base
Hwy 49
Dual Civ/Mil Airport
US Naval Construction Battalion Base NAVSUP / DLA Warehouses
Hurricane Back-up Port
DLA Disposition Center (10 MI)
I-10
Camp Shelby (50 MI)

NAVAIR's INTERNATIONAL LOGISTIC SUPPORT CENTER (FY-16)



Reduce Supply Chain Management Expenses through low cost infrastructure with access to a highly available skill set

FedEx

NAVAIR's International Logistics Support

- ✓ Air
- ✓ Rail
- ✓ Interstate
- Ocean
- ✗ DoD Security
- ✗

NAVAIR's International Logistics Support

- ✓ Air
- ✓ Rail
- ✓ Interstate
- ✓ Ocean
- ✓ DoD Security

INTERNATIONAL LOGISTIC SUPPORT CENTER

NAVAL AIR SYSTEMS COMMAND
DEPARTMENT OF LOGISTICS AND INDUSTRIAL OPERATIONS
47123 BUSE ROAD, BLDG 2272
PATUXENT RIVER, MD 20670-1547

NAVSUP GLOBAL LOGISTICS SUPPORT
937 N HARBOR DRIVE
SAN DIEGO, CA 92132

DEFENSE LOGISTICS AGENCY, DISTRIBUTION
2001 MISSION DRIVE
NEW CUMBERLAND, PA 17070-5000

NAVAIR	NAVSUP GLS	DLA
4400	4400	4400
Ser# 006	Ser# 00/112 APR 15 2016	Ser#

MEMORANDUM OF AGREEMENT
BETWEEN
COMMANDER, NAVAL AIR SYSTEMS COMMAND,
DEPARTMENT OF LOGISTICS AND INDUSTRIAL OPERATIONS
AND
COMMANDER, NAVSUP GLOBAL LOGISTICS SUPPORT
AND
COMMANDER, DEFENSE LOGISTICS AGENCY, DISTRIBUTION

Subj: MEMORANDUM OF AGREEMENT (MOA) IN SUPPORT OF THE NAVAIR FMS RESERVE PROGRAM

Ref: (a) DoD 4140.01 DoD Supply Chain Materiel Management Procedures: Materiel Returns, Retention, and Disposition Vol. 6 of 10 Feb 14

1. Agreement. This Memorandum of Agreement (MOA) defines a joint agreement between Commander, Naval Air Systems Command (NAVAIR) Department of Logistics and Industrial Operations (AIR-6.0); Commander, NAVSUP Global Logistics Support (GLS); and Defense Logistics Agency, Distribution to leverage existing facilities, core competencies of Operational Logistics, and Supply Chain Management and Services Contracting in support of the NAVAIR Foreign Military Sales (FMS) Logistics Reserve Center.

2. Background. The majority of NAVAIR's FMS partner platforms are 20 years or older. As the Navy phases out their legacy platforms, FMS partners continue to fly their weapons systems and require sustainment support and the Support Equipment (SE) that is slated for divestiture from the U.S. Navy inventory.

3. Authority. Reference (a) authorizes Department of Defense (DoD) Components to retain secondary items for potential Security Assistance FMS Reserve sales under Contingency Retention Stock (CRS). The NAVAIR FMS Reserve would retain NAVAIR owned out-of-inventory/out-of-production assets in support of NAVAIR FMS partners and assure life cycle logistical sustainment support for their legacy weapons systems.

Subj: MEMORANDUM OF AGREEMENT (MOA) IN SUPPORT OF THE NAVAIR FMS RESERVE PROGRAM

Appropriation and/or Funds Standard Form 1080. The obligation of funds by the Parties is subject to the availability of appropriated funds pursuant to the DoD Financial Management Regulation. NAVSUP-FLCJ Gulfport and DDJF Gulfport will only be reimbursed for support of the NAVAIR FMS Reserve program from NAVAIR FMS Reserve program sales of CRS to FMS countries. Reimbursement will occur at the time of sale.

15. Signatures.

TWILA C. GONZALES
Deputy Commander
DLA Distribution

W. E. BICKERT
Vice Commander
NAVSUP Global Logistics Support

Toni L. Meier
Director
Logistics Management Integration
Department (AIR-6.6) NAVAIR

Challenges, Discussion

- Enterprise PPP Growth (EO/IR, Displays, Etc)
  - Large Contracts
  - Service Differences
- Partnerships “Beyond Depot Maintenance”
  - Statutory Authority
  - Funding Flow
- Widespread Lack Of Understanding Of PPP
  - Lack Of SMEs
- Profit Concerns, Scrutiny Of Direct Sales PPP Despite Numerous Studies And Data Confirming Benefits

PPPs in Action: Industry Perspective

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BACK-UP SLIDES

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PPP-Related Training/Resources

Resident and Distance Learning Courses

LOG 340 Life Cycle Product Support
LOG 465 Executive Product Support Manager's Course
LOG 350 Enterprise Life Cycle Logistics Management
LOG 235 Performance Based Logistics

Continuous Learning Modules

CLL006 Public-Private Partnering
CLL011 Performance Based Logistics
CLL022 Title 10 Depot Maintenance Statute Overview
CLL023 10 USC 2464 Core Statute Implementation
CLL024 10 USC 2466 50-50 Statute Implementation
CLL025 Depot Maintenance Interservice Support Agreements
CLL026 Depot Maintenance Capacity

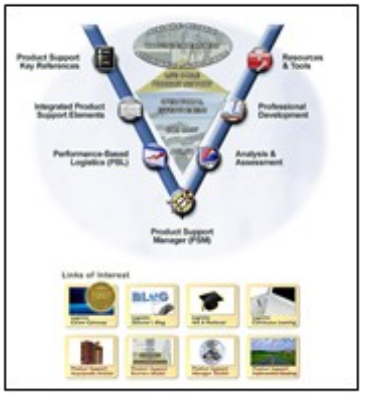
ACQuipedia Articles

Depot Activation and Capability Establishment
Depot Level Maintenance
Depot Maintenance Inter-service Support Agreement (DM
Depot Maintenance Statute - 10 USC 2460
Depot Maintenance Statute - 10 USC 2464
Depot Maintenance Statute - 10 USC 2466
Depot Maintenance Statute - 10 USC 2469
Depot Maintenance Statute - 10 USC 2474
Public-Private Partnerships

Other On-Line Resources

LMI's PPP Sharepoint Site (https://ppp.lmi.org)
PBL CoP (https://acc.dau.mil/pbl)
LOG CoP (https://acc.dau.mil/log)
PSM Toolkit (https://acc.dau.

k: https://acc.dau.mil/pbl



Shortcut Link: https://acc.dau.mil/log

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